



Quality rooms

## Quarterly Report 3/011

*The Moelven S-beam (S-bjelken) is a new laminated timber product, the optimal beam for rafters and joists. The beam has been technically certified and comes in several different dimensions.*

**MOELVEN**<sup>®</sup>

Profit and Loss Account	NOK mill.	3rd Quarter			Nine months			Total	
		2011	2010	2009	2011	2010	2009	2010	2009
Operating revenues		1 935,8	1 885,6	1 521,4	6 059,1	5 299,3	4 749,3	7 184,5	6 247,8
Depreciation		55,3	56,8	50,0	167,3	157,1	145,1	212,8	202,5
Cost of goods sold		1 344,4	1 216,1	935,1	4 076,2	3 301,7	3 056,7	4 514,8	3 899,2
Operating expenses		551,4	498,3	440,8	1 801,6	1 562,5	1 518,1	2 214,5	2 055,0
<b>Operating profit</b>		<b>-15,4</b>	<b>114,4</b>	<b>95,5</b>	<b>14,0</b>	<b>278,0</b>	<b>29,4</b>	<b>242,4</b>	<b>91,1</b>
Income from associates		0,0	-0,4	-0,5	0,0	-2,3	-0,1	-2,3	-1,7
Financial instruments		-20,6	2,1	27,5	-21,4	26,0	89,3	30,3	82,6
Interest and other financial income		-9,8	1,1	5,1	0,7	7,2	9,2	10,8	10,7
Interest and other financial expenses		-11,8	-14,9	-9,6	-51,3	-37,1	-34,3	-52,0	-41,5
<b>Operating result before tax</b>		<b>-57,6</b>	<b>102,3</b>	<b>118,0</b>	<b>-58,1</b>	<b>271,8</b>	<b>93,5</b>	<b>229,2</b>	<b>141,2</b>
Estimated tax cost		-19,5	27,9	33,1	-19,6	73,9	26,2	62,4	41,2
<b>Net profit</b>		<b>-38,1</b>	<b>74,4</b>	<b>85,0</b>	<b>-38,5</b>	<b>197,9</b>	<b>67,3</b>	<b>166,8</b>	<b>100,0</b>
Minority share		-1,1	0,5	-0,9	-1,6	-0,3	-3,0	-1,4	-3,1
Majority share		-37,1	73,9	85,9	-36,9	198,2	70,3	168,2	103,1

Balance sheet	NOK mill.	Change in 3rd Quarter			Per 30.09			Per 31.12.	
		2011	2010	2009	2011	2010	2009	2010	2009
Intangible assets		-0,9	-1,2	-0,5	47,1	45,2	6,0	47,4	13,3
Tangible assets		60,8	52,1	-2,6	1 562,3	1 461,6	1 367,1	1 480,5	1 336,7
Financial assets		-0,3	-0,7	0,4	46,0	46,0	50,6	43,9	45,1
<b>Total fixed assets</b>		<b>59,7</b>	<b>50,2</b>	<b>-2,7</b>	<b>1 655,4</b>	<b>1 552,8</b>	<b>1 423,7</b>	<b>1 571,8</b>	<b>1 395,1</b>
Stocks		-205,9	-90,7	-133,4	1 296,9	1 245,0	805,6	1 342,8	898,6
Receivables		-42,3	-88,9	-138,3	1 331,6	1 313,8	1 097,2	1 096,0	886,0
Deposits		20,6	0,0	-16,6	84,3	45,7	53,3	26,2	70,5
<b>Total current assets</b>		<b>-227,6</b>	<b>-179,6</b>	<b>-288,3</b>	<b>2 712,8</b>	<b>2 604,5</b>	<b>1 956,1</b>	<b>2 465,0</b>	<b>1 855,1</b>
<b>Total assets</b>		<b>-167,9</b>	<b>-129,4</b>	<b>-291,0</b>	<b>4 368,2</b>	<b>4 157,3</b>	<b>3 379,8</b>	<b>4 036,8</b>	<b>3 250,2</b>
Share capital*		0,0	0,0	0,0	647,7	647,7	647,7	647,7	647,7
Other equity and capital		-36,0	129,4	159,0	1 051,6	1 252,2	1 060,1	1 106,1	979,3
<b>Total equity</b>		<b>-36,0</b>	<b>129,4</b>	<b>159,0</b>	<b>1 699,3</b>	<b>1 899,9</b>	<b>1 707,8</b>	<b>1 753,8</b>	<b>1 627,0</b>
Long-term liabilities		-109,7	-152,1	-302,6	1 362,9	1 057,8	710,5	992,9	656,2
Current liabilities		-22,3	-106,7	-147,4	1 306,0	1 199,6	961,5	1 290,1	967,0
<b>Total liabilities</b>		<b>-131,9</b>	<b>-258,8</b>	<b>-450,0</b>	<b>2 668,9</b>	<b>2 257,4</b>	<b>1 672,0</b>	<b>2 283,0</b>	<b>1 623,2</b>
<b>Total equity and liabilities</b>		<b>-167,9</b>	<b>-129,4</b>	<b>-291,0</b>	<b>4 368,2</b>	<b>4 157,3</b>	<b>3 379,8</b>	<b>4 036,8</b>	<b>3 250,2</b>

\* 129.542.384 shares at NOK 5.-, adjusted to account for 1 100 own shares

Key figures	NOK mill.	3rd Quarter			Nine months			Total	
		2011	2010	2009	2011	2010	2009	2010	2009
Net operating margin / EBIT (in %)		-0,8 %	6,1 %	6,3 %	0,2 %	5,2 %	0,6 %	3,4 %	1,5 %
Gross operating margin / EBITDA (in %)		2,1 %	9,1 %	9,6 %	3,0 %	8,2 %	3,7 %	6,3 %	4,7 %
Earnings per share (in NOK)		-0,29	0,57	0,66	-0,30	1,53	0,52	1,29	0,77
Cash flow from operations per share (in NOK)		2,01	2,04	2,61	0,72	-0,89	2,38	-0,66	3,41
Equity ratio (in %)		0,6 %	4,4 %	8,3 %	38,9 %	45,7 %	50,5 %	43,4 %	50,1 %
Investments		123,9	83,0	37,8	276,3	186,9	172,3	258,4	222,2
Return on capital employed		-0,8 %	16,5 %	16,9 %	1,4 %	14,9 %	2,4 %	9,4 %	3,9 %
Capital employed		-164,2	-24,3	-130,7	2 866,1	2 693,2	2 343,9	2 598,0	2 066,0
Net interest bearing debt		-148,9	-180,8	-304,5	1 082,5	766,2	460,8	818,1	368,4
Net working capital		-204,4	-106,1	-291,2	2 017,4	1 908,3	1 378,7	1 778,0	1 280,5
Number of employees		-30	12	-3	3 446	3 187	3 064	3 270	2 992
Sickness absence rate		5,3 %	5,5 %	6,3 %	5,3 %	5,5 %	6,0 %	5,5 %	6,0 %
Number of injuries with absence		14,8	21,0	14,2	16,1	20,3	16,9	19,3	16,4
Number of shareholders		961	969	970	961	969	970	961	969
Average number of shares		129,5	129,5	129,5	129,5	129,5	129,5	129,5	129,5

\* Table for 3rd quarter shows changes compared to last quarter

The quarterly report has been prepared using the same accounting principles as those used in the accounts and according to NGAAP.

## Directors' report

- The operating income for the third quarter was NOK 1,936 million (NOK 1,886 million) and the operating result was negative at NOK 15.4 million (plus NOK 114.4 million).
- In total, operating income after three quarters amounted to NOK 6,059 million (5,299 million) with an operating result of NOK 14 mill (278 million)
- Electrical operations have posted a loss on project activities of NOK 42 million for the quarter, which gives an unsatisfactory result for the Building Systems division.
- Weak price trends for industrial timber gave low gross margins and an unsatisfactory result for the Timber industrial product division.
- Acquisition of the H-Profil company increases processing in the Timber industrial product division.
- Non-cash items relating to the mark-to-market assessment of the financial instruments for hedging currency risk and interest rate risk, reduced the net financial items in the quarter by NOK 20.6 mill (2.1)

### Highlights

In market terms, the third quarter has developed normally for the season. This means a period with lower demand in the summer months and increasing activity in late summer and autumn. In the Scandinavian markets, demand for the group's products and services has been satisfactory overall. The export markets, which primarily affect the Timber division, have been greatly marked by increasing economic uncertainty and a somewhat lower level of activity. Overall supply of industrial timber in the first part of the year was too high in relation to demand trends, as a result of which the prices of finished products fell. Production has been somewhat reduced through the third quarter. Access to raw materials for the timber consuming units has been satisfactory, but prices have not fallen to the same extent as those of finished products and margins are therefore still under pressure.

The companies in the construction products division Wood, have a considerably lower proportion of exports than Timber and demand is mainly dependent on activity in new building and RME in Scandinavia. Activity in these markets has been good and overall demand for timber based products in Sweden and Norway has been satisfactory. For the Building Systems division, activity in Modular Buildings and Modular System Interiors in Sweden is still good. On the Norwegian side, Laminated Timber, Electrical installations and Modular System Interiors experience a weaker market. Orders in hand has been somewhat reduced during the quarter, due to normal seasonal variations. During August,

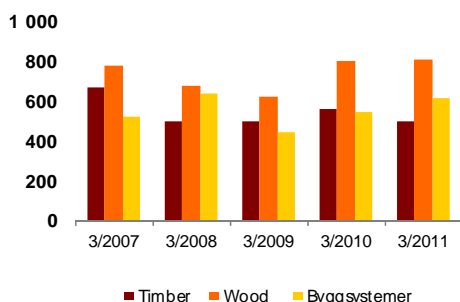
Moelven Elektro AS discovered a considerable miscalculation for four major projects in the Oslo area. Three of the projects have been concluded by the end of the quarter. Probable losses in the remaining part of the project that is still going on have been included in the loss entries. Increased control measures have been introduced to reduce the risk of similar cases in the future.

At the start of the fourth quarter an agreement was entered into for the acquisition of the business of H-Profil AS. The company, which went bankrupt in September, mainly produces timber components for the window industry. The acquired business is included in the newly formed company Moelven Profil AS in the Timber division. Moelven Limtre AS supplied load bearing structures to Vennesla Kulturhus, which was voted Norway's best building to be completed in the last year. The building has also been nominated for the "Best Building in the Nordic Countries" award at the AWARDS architectural fair in Stockholm. The load bearing structures, which consist of 27 laminated timber girders, all of different shapes, are also an integral part of the visible interior.

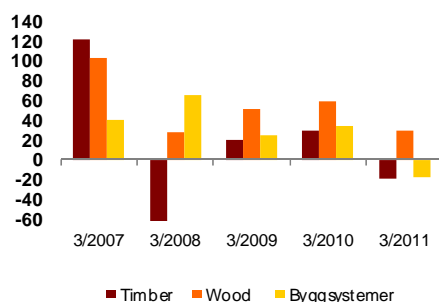
### Operating revenues and results

Operating income and operating profit for the group in the third quarter were NOK 1,935.8 million (1,885.6 million) and NOK minus 15.4 million (plus 114.4 million) respectively. In total, operating income amounted to NOK 6,059.1 million (NOK 5,299.3 million) with an operating result of NOK 14.0 million (NOK 278.0 million). The accumulated operating

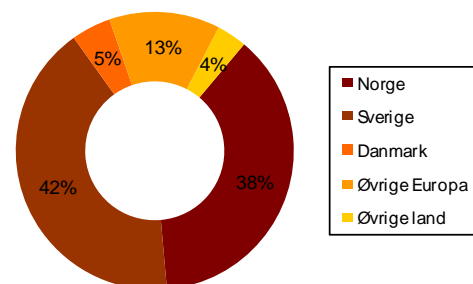
Operating revenues  
NOK mill.



Operating profit  
NOK mill.



Sales by market area 3 quarters



profit for 2010 includes entry of reduced pension commitments of NOK 22 million as income. Increased activity levels at Electrical Installations and Modular Buildings is the reason for the increase in operating revenues, while weaker margins, especially in Timber, as well as the loss entry of NOK 42 million for the 4 major projects at Moelven Elektro AS, are the main reasons for the fall in operating profit. The ordinary result before tax for the first three quarters was NOK minus 58.2 million (NOK plus 271.8 million). Financial costs increased considerably compared with last year. The main reason is unrealised losses on financial instruments that are used to hedge foreign currency rate risk and interest rate risk. Non-cash items connected to such hedging instruments amounted to NOK minus 20.6 million (plus 2.1 million) for the quarter and NOK minus 21.4 million (plus 26.0 million) cumulatively. Result after tax and minority interests was NOK minus 37.0 million (plus 198.2 million).

## Investments, balance sheet and financing

Investments made in the third quarter total NOK 123.9 million (NOK 83.0 million). Accumulated investments totalled NOK 276.3 million (NOK 186.9 million). Most of the investment activity in 2011 is linked to upgrading and maintenance of existing operations. The largest individual investments, other than the acquisition of the business of the plywood manufacturer Vänerply AB, have been the sheet processing plant at Moelven Lovene AB, new saw lines at Moelven Granvin Bruk AS, new timber reception at Moelven Østerdalsbruket AS, new timber reception and upgrade of saw line at Moelven Mjøsbruket AS, new furnace at Moelven Nøssemark AB and Moelven Bioenergi AS' new bioenergy plant at Brumunddal. The acquisition of the Vänerply AB business in the second quarter led to an increase in fixed assets of NOK 39 million. The transaction did not involve any goodwill in the accounts. The acquisition of Sør-Tre Bruk AS, Granvin Bruk AS and Eco Timber AS in 2010 involved a capitalisation of goodwill of NOK 32 million and an increase in fixed assets of NOK 52 million. After the third quarter, the group's total assets were reported as NOK 4,368.2 million (NOK 4,157.3 million). The increase

generated by completed acquisitions amounts to NOK 100 million (218 million). The main reason for the increase is the transfer of the business of the partly-owned Weda Skog AB to Moelven Skog AB.

Cash flow from operating activities in the third quarter was NOK 259.7 million (NOK 264.4 million), corresponding to NOK 2.01 per share (NOK 2.04). In total, cash flow from operating activities was NOK 93.7 million (NOK minus 115 million), corresponding to NOK 0.72 per share (NOK minus 0.89). Cash flow from result items has gone down in 2011, while cash flow from working capital items contributed to an improvement in cash flow from operational activities compared with last year. It is also due to positive effects as a result of integration of the operations of Moelven Sør-Tre AS and Moelven Granvin Bruk AS, normalisation of operating capital tied up in receivables, warehouse stocks and projects in hand for the group's other companies.

Net interest-bearing liabilities were NOK 1,082.5 million (766.2 million) at the end of the third quarter and the liquidity reserve was NOK 555.6 million (687.2 million). An agreement was entered into in May for long term financing of NOK 300 million for five years in the form of a drawing facility similar to the existing NOK 1,050 million from 2010. The additional financing has been made with corresponding documentation and the same default clauses as the existing finance, but at a price that reflects the market prices at the start of the second quarter, which gives lower borrowing costs.

Equity at the end of the third quarter was NOK 1,699.3 million (NOK 1,899.9 million). This corresponds to NOK 13.12 (14.67) per share and an equity ratio of 38.9 per cent (45.7). Part of the group's equity is connected with ownership of foreign subsidiaries, mainly in Sweden, and is therefore exposed to fluctuations in the exchange rate. The extent and consequences of probable exchange rate variations lie within an acceptable framework of risk and the exposure is partially hedged. In the third quarter of 2011, these exchange rate variations led to an unrealised increase in equity of NOK 2.9 million (23.1 million). Cumulatively for 2011, there has been an unrealised reduction of NOK 14.0 million (increase of NOK 40.1 million).

Divisions	NOK mill.	3rd Quarter			Nine months			Total	
		2011	2010	2009	2011	2010	2009	2010	2009
<b>Operating revenues</b>									
<b>Timber</b>		494,9	561,0	495,0	1 805,4	1 799,5	1 606,2	2 436,4	2 166,8
<b>Wood</b>		804,3	799,6	616,9	2 254,7	2 041,7	1 725,1	2 683,9	2 227,4
<b>Building systems</b>		613,2	545,7	445,1	1 921,9	1 565,9	1 465,0	2 171,5	1 933,0
Laminated Timber		109,7	126,7	107,2	343,4	338,3	287,6	467,9	397,1
Electrical installations		139,2	94,5	92,6	371,7	285,9	287,5	412,2	397,5
Modular Buildings		249,0	199,1	107,3	802,1	532,5	421,7	740,4	513,0
Modular System Interiors		128,0	133,1	144,4	432,0	431,8	482,4	581,7	644,8
<b>Others</b>		497,5	366,2	195,9	1 930,4	1 282,7	700,1	1 755,7	965,2
<b>Eliminations</b>		-474,2	-386,9	-231,5	-1 853,3	-1 390,5	-747,1	-1 863,0	-1 044,6
<b>The Group</b>		1 935,8	1 885,6	1 521,4	6 059,1	5 299,3	4 749,3	7 184,5	6 247,8
<b>Operating profit/loss</b>									
<b>Timber</b>		-18,7	29,5	19,9	-28,8	117,3	-34,6	94,7	12,7
<b>Wood</b>		28,7	58,5	50,9	54,2	117,5	23,9	95,6	43,2
<b>Building systems</b>		-18,2	33,4	23,8	19,5	67,4	54,6	92,2	61,4
Laminated Timber		0,1	6,2	6,4	1,9	10,7	6,5	12,9	4,0
Electrical installations		-44,6	0,6	2,1	-40,8	6,1	6,9	3,1	9,0
Modular Buildings		18,9	15,9	2,5	40,1	28,1	7,5	33,7	1,5
Modular System Interiors		7,5	10,7	12,8	18,3	22,5	33,7	42,5	46,9
<b>Others</b>		-7,3	-7,0	0,9	-30,9	-24,2	-14,5	-40,1	-26,2
<b>The Group</b>		-15,4	114,4	95,5	14,0	278,0	29,4	242,4	91,1

## Divisions

### Timber

Operating income and operating profit for the Timber division in the third quarter were NOK 494.9 million (561.0 million ) and NOK minus 18.7 million (plus 29.5 million) respectively. In total, operating income amounted to NOK 1,805.4 million (NOK 1,799.5 million) with an operating loss of NOK 28.8 million (NOK plus 117.3 million). The accumulated operating profit for 2010 includes entry of reduced pension commitments of NOK 5 million as income.

The third quarter too has been marked by an imbalance between supply and demand in the market for industrial timber. Demand is still at a low level and there is no sign of improvement, partly due to increased financial unrest in the euro zone and a continuing very low level of activity in the USA. Low gross margins have meant that several producers now appear to be reducing activities, which may help to stabilise the price trend. Because of the lag in price movements in the raw materials market compared with finished goods prices, margins have been weaker than in the same period last year. Improvement activities continue in several areas, such as investment in optimising equipment, the introduction of Lean Production, internal benchmarking and the exchange of information and experience. These activities can only compensate to a limited extent for weak gross margins in the most challenging periods, but are still important for maintaining a position in which the need for capacity changes is lessened. During the quarter, it was decided to acquire the business of the window component manufacturer H\_Profil AS, which went bankrupt in September. The agreement was signed in early October and takeover occurred on 17 October. The H-Profil operation, which is being included in the company Moelven Profil AS, fits naturally into Timber's concept of supplying products with a high level of processing to industrial customers. Moreover the operation is located in Kirkenær and Grinder, a region where Moelven has several sawmills that supply good raw materials for this type of product. H-Profil had sales of more than NOK 80 million in 2010. There were 40 employees at the time of takeover.

It has also been decided to continue the focus on Dalsland in Sweden, by means of investment in a new planing mill at Moelven Tom Heurlin AB. The investment will be around SEK 50 million and according to plan will go into operation during summer 2012. The investment will increase production capacity by about 30,000 m<sup>3</sup>. This planing mill is also being built to allow for adaption to the specific needs of the industry more easily. At Moelven Mjøsbruket AS, a new timber reception and upgraded saw line were officially opened on 30 September. This investment will give better utilisation of raw materials and improve the cost effectiveness of the sawmill.

### Wood

Operating income and operating profit for the Wood division in the second quarter were NOK 804.3 million (799.6 million ) and NOK 28.7 million (58.5 million) respectively. In total, operating income amounted to NOK 2,254.7 million (NOK 2,041.7 million) with an operating result of NOK 54.2 million (NOK 117.5 million). The accumulated operating profit for 2010 includes entry of reduced pension commitments of NOK 9 million as income.

After a summer of lower activity levels than normal, the third quarter developed positively and as expected, apart from somewhat lower demand for impregnated timber. Demand for interior products has increased. Increased raw materials

costs have weakened earnings somewhat compared with the same period last year. In order to maintain competitiveness, there is also a great need in the Wood division to continually focus on efficiency measures. The ongoing implementation of Lean Production systems in several operations is an important part of this. Realisation of efficiency improvements and improvements in health and safety and environmental measures through new investments is also of great significance. The third quarter saw investment in a new timber reception at Moelven Østerdalsbruket AS and a new saw line at Moelven Granvin Bruk AS. Integration of the operation of plywood manufacturer Moelven Vänerply AB, which was acquired in the second quarter, has gone as planned and the development is following the assumptions that formed the basis for the acquisition.

### Building Systems

Operating income and operating profit for the Building Systems division in the third quarter were NOK 613.2 million (545.7 million ) and NOK minus 18.2 million (plus 33.4 million) respectively. In total, operating income amounted to NOK 1,921.9 million (NOK 1,565.9 million) with an operating result of NOK 19.5 million (NOK 67.4 million). The accumulated operating profit for 2010 includes entry of reduced pension commitments of NOK 7 million as income. The unsatisfactory result for the period is due to the costs entered for four major projects in the Oslo area. The large deviation is due to a combination of calculation errors when contracting and a lack of effectiveness in implementation. In order to reduce the risk of similar errors in future, organisational and system changes have been introduced. Market activity has been good for most operations in the Building Systems division and orders in hand are at a normal level for the season. Within module operations, it is still the Swedish part of the operation that has the highest level of activity, but an increase in activity levels has also been seen in Norway. On 11 October Moelven Byggmodul AB commenced assembling the modules for a retirement home that Attendo is building in Sävje in Uppsala. The building, which will have a total area of about 2,700 m<sup>2</sup>, is being built on two floors and contains 40 flats as well as common areas. The opening will take place in March 2012. In addition to a substantially reduced building period, the construction method and materials used are estimated to result in a reduction in CO<sub>2</sub> consumption of 200 metric tons compared with comparable buildings of steel and concrete. For the building fittings companies, too, the Swedish section has seen the greatest activity. On the Norwegian side, the market has long been very difficult with stiff pressure on prices. The implementation of efficiency measures has however given results above the anticipated level. In laminated timber, it is standard laminated timber in Norway that has seen the highest activity level. Weak demand for standard laminated timber for housing in Sweden has meant a need to reduce capacity at the factory in Töreboda. Project activity has been less than expected in both countries, but even so both bridge projects and projects based on the Trä8 system have been sold. Moelven Limtre AS will produce laminated timber structures for and handle assembly of a timber bridge over Gudbrandsdalslågen at Tretten. Tretten Bridge will be a trussed construction of laminated timber with a total length of about 150 metres, with a bridge deck of laminated timber and steel railings. The bridge is part of the project to renovate the E6 between Øyer and Tretten. Production in the factory will start at the end of October and work should be finally completed by 15 June 2012. No great individual investments have been made during the quarter beyond normal maintenance investments and efficiency measures.

## Other businesses

This includes Moelven Industrier ASA, with the joint services innovation, finance, insurance, IT, communications and HR. Timber supply and sales of chips and energy products are part of Moelven's industrial service activities and are performed through the companies Moelven Skog AB, Moelven Virke AS and Vänerbränsle AB. Moelven Bioenergi AS is also included in this business area. Increased activity at Moelven Skog AB explains the increase in operating revenues and number of employees compared with the same period last year. Operating revenues for this area in the second quarter were NOK 497.5 million (NOK 366.2 million) and the operating result was NOK minus 7.3 million (minus 7.0 million). Cumulatively, operating revenues amounted to NOK 1,930.4 million (1,282.7 million) and the operating result was NOK minus 30.9 million (minus 24.2 million). The cumulative operating result for 2010 includes entry of reduced pension commitments of NOK 1 million as income.

## Employees

Sick leave was reduced during the quarter and cumulatively is at a lower level than at the same time last year. Action is continually being taken to reduce the sick leave percentage and stabilise it at a low level. For the group as a whole, cumulative long term absence as at the end of the third quarter was 2.4 per cent (2.9). The H1 value (number of injuries per million hours worked) is at an unacceptably high level, but extensive measures implemented over time now look to be producing results. Efforts are being directed at areas such as attitude-creation, investment in safer machinery and equipment, HSE training for managers and better safety rules and routines.

Even though the H1 value has gone down compared with the same period last year, the level is still too high and activities to reduce the injury frequency continue, so as to achieve the target of an H1 value below 10.

## International accounting standards

The IFRS figures presented are non-audited comparison figures which indicate the potential main impact of reporting according to IFRS. The main differences compared with NGAAP emerge when processing pension commitments,

financial instruments, over contracts and dividends. The effects of financial instruments are unrealised gains and losses that will vary in accordance with market valuations of the instruments at the time of reporting. The Moelven group implemented the provisional Norwegian accounting standard for financial assets and obligations in 2010. After its introduction, the main difference between NGAAP and IFRS in this area is that under NGAAP, hedge accounting of power hedging contracts and exchange rate hedges is practised. At the end of the third quarter, market valuation of all the group's financial instruments showed an unrealised loss of NOK 40.2 million (26.3 million). This meant that in the third quarter NOK 28.7 million was entered as costs (NOK 3.0 million entered as income). For the first three quarters of the year, market valuation calculations show costs of NOK 21.4 million (income of 3.6 million). The main objective of the Moelven group's hedging policy is as far as possible to eliminate financial risk so that it is the underlying activity rather than the consequences of fluctuations in the financial market that forms the basis for profitability.

## Outlook

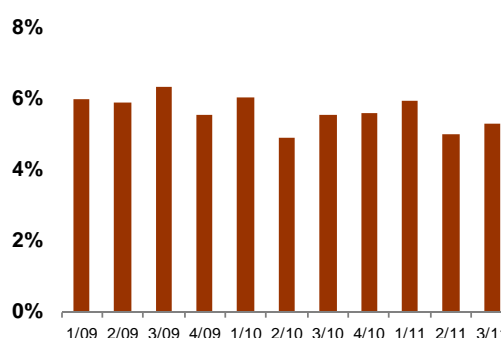
Based on normal seasonal fluctuations in the building and construction industry, as well as weak prospects in the euro zone and the USA, it is expected that the already low level of activity will fall even further during the fourth quarter. Even so, the balance between supply and demand in the market for industrial timber is expected to improve as a result of adjustments on the production side. There will be a reduction in raw materials costs, but the effect on the group's accounts will not be seen until towards the end of the year. In the Scandinavian home market for timber based building products, a normal seasonal reduction in activity levels is expected towards the end of the year.

Orders in hand for the Building Systems division are at a normal level for the season and ensure good activity for the fourth quarter and the first months of 2012. Given present external conditions, the board expects a small, positive result in the fourth quarter, but even so a negative result for the year as a whole. The board considers that the group is financially well equipped to meet a period of challenging market conditions.

Sickness absence rate in %	Per 30.09 2011	Per 30.09 2010
Timber	3,90%	4,25%
Wood	5,40%	5,31%
Building Systems	6,10%	6,38%
Others	2,80%	2,70%
The Group	5,30%	5,50%

H1 Value	Per 30.09 2011	Per 30.09 2010
Timber	21,4	22,7
Wood	17,1	22,9
Building Systems	14,4	18,2
Others	0	0
The Group	16,1	20,1

Sickness absence rate ( % )



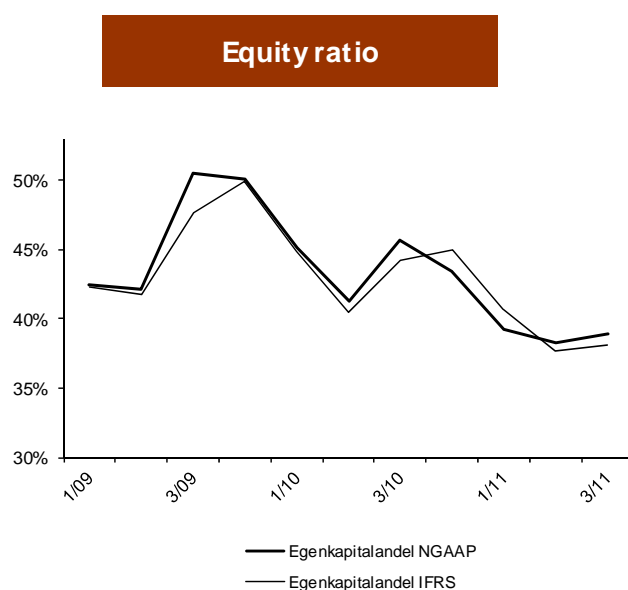
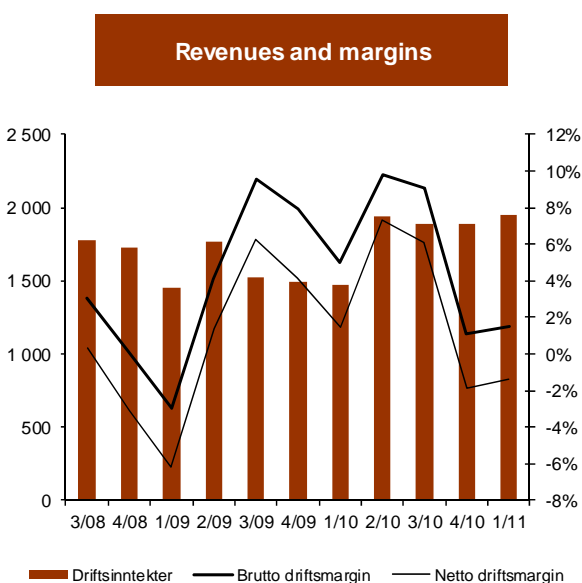
Employees	Per 30.09.11				Per 30.09.10			
	Male	Female	% Female	Total	Male	Female	% Female	Total
Timber	580	76	13,1%	656	574	69	12,0%	643
Wood	951	184	19,3%	1135	829	123	14,8%	952
Building Systems	1417	105	7,4%	1522	1445	97	6,7%	1542
Others	102	31	30,4%	133	101	32	31,7%	133
The Group	3050	396	11,49%	3446	2949	321	9,82%	3270

IFRS	NOK mill.	3rd Quarter			Nine months			Total	
		2011	2010	2009	2011	2010	2009	2010	2009
<b>Profit and loss account</b>									
EBITDA		39,9	171,1	145,5	181,2	435,0	174,6	455,2	296,6
EBITDA		-13,8	116,0	96,0	18,9	279,6	30,9	245,7	96,0
Result before tax		-71,6	104,8	119,3	-94,2	251,1	91,4	292,6	146,0

	NOK mill.	Change in 3rd Quarter			Per 30.09			Per 31.12.	
		2011	2010	2009	2011	2010	2009	2010	2009
<b>Balance Sheet</b>									
Equity		-45,6	104,7	79,8	1 669,6	1 848,7	1 606,0	1 832,7	1 632,6
Total assets		-169,3	-126,2	-289,1	4 376,4	4 179,3	3 367,2	4 073,3	3 266,8
Equity ratio		0,4 %	3,7 %	6,0 %	38,2 %	44,2 %	47,7 %	45,0 %	50,0 %

Changes in total equity for the Group	NOK mill.	Change in 3rd Quarter			Per 30.09			Per 31.12.	
		2011	2010	2009	2011	2010	2009	2010	2009
<b>Opening balance</b>		<b>1 735,3</b>	<b>1 770,5</b>	<b>1 545,8</b>	<b>1 753,8</b>	<b>1 627,0</b>	<b>1 613,6</b>	<b>1 627,0</b>	<b>1 613,6</b>
Profit / Loss		-38,1	74,4	85,0	-38,5	197,9	67,3	166,8	100,0
Foreign currency translation		2,2	33,0	-4,4	-16,0	53,0	-54,5	40,3	-65,9
Provisions for dividen		0,0	0,0	0,0	0,0	0,0	0,0	-84,2	-20,7
Changes for year / period		-36,0	107,4	80,6	-54,5	250,9	12,8	126,8	13,4
<b>Total equity NGAAP</b>		<b>1 699,3</b>	<b>1 877,9</b>	<b>1 626,4</b>	<b>1 699,3</b>	<b>1 877,9</b>	<b>1 626,4</b>	<b>1 753,8</b>	<b>1 627,0</b>
IFRS effects					-29,7	-29,2	-20,4	78,9	5,6
<b>Total Equity IFRS</b>					<b>1 669,6</b>	<b>1 848,7</b>	<b>1 606,0</b>	<b>1 832,7</b>	<b>1 632,6</b>

Cash Flow Statement	NOK mill.	Change in 3rd Quarter			Nine months			Total	
		2011	2010	2009	2011	2010	2009	2010	2009
Net cash flow from operations		259,7	264,4	338,7	93,7	-115,0	307,7	-85,9	441,1
Cash flow from operating result		56,2	162,4	128,9	166,0	386,2	130,2	416,5	248,0
Cash flow from working capital		203,5	101,9	209,8	-72,3	-501,2	177,5	-502,4	193,1
Cash flow from / to investments		-127,7	-80,4	-37,2	-274,0	-271,0	-171,6	-339,7	-211,8
Cash flow from / to financing		-105,7	-184,1	-318,1	244,1	361,1	-112,6	381,3	-188,6
<b>Net cash flow for the period</b>		<b>26,3</b>	<b>-0,1</b>	<b>-16,6</b>	<b>63,8</b>	<b>-24,8</b>	<b>23,5</b>	<b>-44,3</b>	<b>40,7</b>
Liquid funds		26,3	-0,1	-16,6	90,1	45,7	53,3	26,2	70,5
Unutilised credit facilities		160,2	169,5	312,0	465,5	641,5	841,0	555,2	918,0
<b>Available liquid funds</b>		<b>186,5</b>	<b>169,4</b>	<b>295,4</b>	<b>555,6</b>	<b>687,2</b>	<b>894,3</b>	<b>581,4</b>	<b>988,5</b>



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Moelven is organised into three divisions: Timber, Wood and Building Systems. The sawmills in the Timber division supply sawn timber products to businesses in Scandinavia and the rest of Europe. Customers use the products as elements in their own production processes. In addition, chippings and bark products are delivered to and used in the pulp & paper, particle board and bio-energy industries. The processing companies in the Wood division supply the retail chains in Scandinavia with a wide range of construction and interior products. An important competitive advantage is the Wood division's efficient and rational distribution system that can offer customers quick and accurate deliveries from a wideranging product assortment. The businesses in the Building Systems division supply flexible system interiors for

interior walls, modular buildings, electrical installations and loadbearing glulam constructions for project customers, primarily in Norway and Sweden. The division is heavily committed to developing concepts and systems together with customers and experts within the fields of architecture, design and construction. The Group consists of a total of 50 separate business units in Norway, Sweden and Denmark with a total of 3 446 employees. The Moelven Group is owned by Glommen Skog (25.1 per cent) Eidsiva Vekst AS (23.8 per cent), Agri MI AS (15.8 per cent), Viken Skog BA (11.9 per cent), Mjøsen Skog BA (11.7 per cent), AT Skog BA (7.3 per cent) and Havass Skog BA (4.0 per cent). Private individuals own most of the remaining 0.4 per cent.

## *Quality rooms*

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